

# NEW FOR 2001

## TAX RATE REDUCED

For tax years beginning on and after January 1, 2001, the corporate tax rate has been reduced from 8% to 7.6%.

## AMENDED RETURN

Form 41X has been eliminated. To amend a return, complete a new Form 65 and indicate the reason for amending the return. For tax years beginning prior to 2001, use the prior year's form.

## EXPANDED CREDIT FOR QUALIFYING NEW EMPLOYEES

The credit for new employees has been expanded. To qualify, a business no longer must qualify as a revenue-producing enterprise. Any business can qualify. The maximum tax that may be offset has been increased from 45% to 50%.

## CREDIT FOR IDAHO RESEARCH ACTIVITIES

A credit similar to the federal credit for increasing research activities has been enacted for tax years beginning on and after

January 1, 2001. The credit is 5% of qualified research expenditures in Idaho. The credit has a 14-year carryover period.

## CREDIT FOR INSTALLATION OF BROADBAND EQUIPMENT

For tax years beginning on and after January 1, 2001, a credit is allowed for the installation of broadband equipment in Idaho. The credit is 3% of qualified expenditures. The Idaho Public Utilities Commission will determine what equipment qualifies for the credit. The credit is limited to \$750,000 in any tax year and has a 14-year carryover.

## INCENTIVE INVESTMENT TAX CREDIT

A new investment tax credit is available to businesses that acquire assets and use them in counties with high unemployment rates or low personal income. The credit rate varies depending on the Idaho county in which the asset is located. The new credit is in addition to the existing investment tax credit. The credit has a 14-year carryover period and is limited to \$500,000 per year.

## GENERAL INFORMATION

### WHO MUST FILE FORM 65

- A partnership transacting business in Idaho; or
- A limited liability company treated as a partnership for federal income tax purposes and transacting business in Idaho.

### TRANSACTIONING BUSINESS

Transacting business in Idaho is indicated by, but not limited to, the following activities:

- owning or leasing, as lessor or lessee, any property in Idaho;
- soliciting business in Idaho;
- being a member of a partnership or S corporation with business in Idaho;
- any Idaho activity from which income is received, realized, or derived; or
- having an agent, such as a collector, repair person, delivery person, etc., acting on your behalf in Idaho.

### HOW TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on microfiche. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

The return must be signed by an authorized individual on behalf of the partnership.

Round the amounts on the return to the nearest whole dollar.

### WHERE TO FILE

Mail the return and payment to:

IDAHO STATE TAX COMMISSION  
PO BOX 56  
BOISE ID 83756-0056

### DUE DATE OF RETURN

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 15. If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next work day.

### EXTENSION OF TIME TO FILE

If you cannot file your return by the due date, Idaho allows you an automatic six-month extension of time to file. To avoid paying a penalty, the amount of tax payments you have made must be at

least 80% of the estimated tax due or 100% of the total tax reported last year. Use Form 41EXT to make your payments.

Even though an extension gives you more time to file, the tax is due on the original due date of the return. When you file your income tax return, the extension period expires and any remaining tax due must be paid. You must pay interest on any tax due.

Failure to pay the required amount by the original due date will result in a 2% per month penalty from the original due date to the earlier of the date the tax is paid or the extended due date. A 5% per month penalty will also be computed on the tax due from the extended due date to the date of payment if the return is not filed. The maximum penalty is 25%.

### ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact the Tax Commission at (208) 334-7660 for further information.

### PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return. Payments less than \$100,000 may be made using Visa or MasterCard. Complete and attach Form CCV, Credit Card Payment Voucher.

### TAX DUE FOR NONFILING PARTNERS

An individual partner may elect to have the partnership pay the tax on his income from that partnership. This income includes the individual's share of income (including guaranteed payments), loss, and deduction. The partnership will be taxed on such income at the corporate rate of 7.6%. An individual cannot make the election if he meets the Idaho filing requirement and must report other income that is not subject to this election. Permission from the Tax Commission is not required.

If an individual who meets the Idaho filing requirement does not make the election, and does not file his Idaho individual income tax return or does not pay the tax due, the partnership will be taxed on the income at the corporate rate.

### PERMANENT BUILDING FUND TAX

A partnership is required to pay the permanent building fund tax for each individual partner who meets the Idaho filing requirement but does not report his partnership income on an Idaho individual return. If all partners file Idaho individual income tax returns, the partnership is not required to pay the permanent building fund tax.

# GENERAL INFORMATION

## PENALTIES AND INTEREST

A penalty will be imposed against a partnership that is required to file, but fails to file, an Idaho return. The penalty is \$10 times the number of persons who are partners during any part of the tax year for each month the return is not filed, up to five months.

Penalties may be imposed on the tax due as follows:

- 0.5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due (if return is filed)
- 2% per month or fraction of a month for failure to meet the extension criteria (the return and taxes must be paid by the extended due date)
- 5% per month or fraction of a month to a maximum of 25% for failure to file the return timely
- 5% for negligence or disregard of rules
- 10% for substantial understatement of tax
- 50% for filing a false or fraudulent return

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 7% per year (rate effective 1-1-2002 to 12-31-2002).

## TAX PREPARER CONTACT BOX

A tax preparer contact box is located directly above the signature box. This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to contact your preparer to resolve any questions related to your return.

This authorization is valid for up to 180 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

## PERIOD/TAX YEAR COVERED BY RETURN

Use the 2001 form to file your tax return for calendar year 2001 or the fiscal year beginning in 2001.

## FEDERAL CHECK-THE-BOX REGULATIONS

Idaho follows the federal entity classification (check-the-box) regulations. Therefore, if an entity is classified or taxed as a partnership for federal income tax purposes, it will be treated as a partnership for Idaho income tax purposes.

## ACCOUNTING PERIOD

You must use the same accounting period as that used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 1128, Application to Adopt, Change, or Retain a Tax Year, to your return.

## ACCOUNTING METHODS

You must use the same accounting method as that used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval on Form 3115, Application for Change in Accounting Method, to your return.

## AMENDED RETURNS

If you discover an error on your return after it is filed, use this form to amend your return. Check the box at the top of the form and enter the reason for amending. Complete the entire form using the corrected amounts.

If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

If you are amending a return for tax years beginning prior to 2001, complete a new return using the corrected numbers and the form for the applicable year. Write AMENDED at the top of the form and attach an explanation of why the return is being amended.

## FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service.

If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. Interest applies on any tax due. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

## GENERAL INFORMATION FOR MULTISTATE/MULTINATIONAL TAXPAYERS

The following instructions apply to partnerships that operate in Idaho and another state or country (multistate/multinational taxpayers). These instructions also apply to partnerships that are members of a partnership or S corporation operating in Idaho and another state or country.

## ALLOCATION AND APPORTIONMENT OF INCOME

**Business Income.** Business income includes income from transactions or activity in the regular course of your trade or business. Business income also includes income from tangible or intangible property if the acquisition, management, or disposition of the property is an integral part of your regular trade or business operations. Business income may result even though the income was derived from an occasional or extraordinary transaction. All business income must be apportioned using the apportionment formula.

**Nonbusiness Income.** Nonbusiness income is all income other than business income and must be allocated, not apportioned. Allocation is the assignment of nonbusiness income to a specific state.

**Apportionment Formula.** The apportionment formula consists of three factors: property, payroll, and sales. These three percentages are averaged to arrive at the Idaho apportionment factor. For most taxpayers, the sales factor is double weighted.

Electrical and telephone utilities must use a single-weighted sales factor. See the instructions for Form 42.

## EXCEPTIONS TO APPORTIONMENT FORMULA

If the allocation and apportionment provisions do not fairly represent your business activity in Idaho, one of the following exceptions may be used:

**Separate Accounting.** Separate accounting means allocating income and related expenses to the state where the activity occurred. Separate accounting may be used only with prior approval from the Tax Commission. You must submit a written request at least 30 days prior to the due date for filing the return, not including extensions. Mail your request to:

INCOME TAX POLICY  
IDAHO STATE TAX COMMISSION  
PO BOX 36  
BOISE ID 83722-0410

**Exclusion Of A Factor.** If any of the factors (property, payroll, or sales) do not apply to your business, use the remaining factors to compute the Idaho apportionment factor. To determine the average percentage, divide only by the number of factors used.

## GENERAL INFORMATION

For example, if your partnership has no employees anywhere, the number of factors is reduced by one.

### MODIFIED FACTORS FOR CERTAIN INDUSTRIES

The following businesses must use special rules in computing the apportionment factors:

- Airlines
- Carriers of Freight or Passengers
- Construction Contractors
- Television and Radio Broadcasters
- Publishers

- Financial Institutions

See the instructions for Form 42.

### MULTISTATE CORPORATE MEMBERS OF PARTNERSHIPS

If a corporation required to file an Idaho income tax return is a member of an operating partnership or joint venture, the corporation must apportion its share of the partnership's business income or loss along with all other net business income or loss of the corporation. The corporation's share of the partnership's property, payroll and sales is determined in the same proportion as the partnership's income is distributed and must be included in the corporation's apportionment computation.

## FORM 65 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.

General information instructions beginning on page 1 also apply to this form.

The partnership must provide a schedule to each partner that shows all Idaho income, deductions, apportionment factors, tax credits and tax credit recapture that is reportable by the partner. A copy of this schedule and the federal Schedule K-1, Form 1065 must be attached to the Idaho Form 65.

### HEADING

File the 2001 return for calendar year 2001 or a fiscal year that begins in 2001. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the partnership's legal name, business name, address, and federal employer identification number in the space provided.

### AMENDED RETURN

This form can be used as an original return or an amended return for tax years beginning in 2001. If you are filing this form as an amended return, check the box at the top of the form. Enter the applicable reason(s) for amending, as listed below. Complete the entire form using the corrected amounts.

1. Federal Audit
2. Capital Loss Carryback
3. Other - Attach an explanation.

### QUESTIONS 1-8

Mark the appropriate box and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

#### Question 1 NAME CHANGE

If the partnership changed its name since it last filed, check the "Yes" box and enter the name the way it appeared on the last return filed.

#### Question 2 FEDERAL AUDIT

If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

#### Question 3 FINAL RETURN

If this is the partnership's final return for Idaho, check the box that explains the reason. Enter the date the partnership dissolved or withdrew from Idaho.

#### Question 4 ELECTRICAL OR TELEPHONE UTILITY

If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

### Question 5 OWNERSHIP CHANGE

Check the "Yes" box if a partner terminated his interest in the partnership or if a new partner acquired an interest in the partnership.

### Question 6a IDAHO INVESTMENT TAX CREDIT

Enter the amount of the earned credit from line 2, Part I, Form 49. This is the Idaho investment tax credit the partnership earned for the tax year.

### Question 6b RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

Enter the amount shown on line 13, Part III, Form 49R. This is the amount of recapture of Idaho investment tax credit the partnership passed through to the partners.

### Question 7 CREDIT FOR QUALIFYING NEW EMPLOYEES

Enter the amount shown on line 8, Part I, Form 55. This is the credit for qualifying new employees the partnership earned for the tax year.

### Question 8a CREDIT FOR IDAHO RESEARCH ACTIVITIES

Enter the amount shown on line 16, Form 67. This is the credit for Idaho research activities the partnership earned for the tax year.

### Question 8b BROADBAND EQUIPMENT INVESTMENT CREDIT

Enter the amount shown on line 2, Form 68. This is the broadband equipment investment credit the partnership earned for the tax year.

### Question 8c INCENTIVE INVESTMENT TAX CREDIT

Enter the amount shown on line 22, Form 69. This is the incentive investment tax credit the partnership earned for the tax year.

## INCOME

### LINE 12 PORTFOLIO INCOME

Enter your net portfolio income or loss from Form 1065, Schedule K, lines 4a through 4f.

### LINE 13 OTHER INCOME

Enter your other income from Form 1065, Schedule K, lines 6 and 7.

### LINE 14 DEDUCTIONS

Enter your deductions from Form 1065, Schedule K, lines 8 through 11 plus the lesser of line 14a or 14b(1) less 14b(2).

# FORM 65

## ADDITIONS

### LINE 16 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal income under the provisions of the Internal Revenue Code. Attach a schedule.

### LINE 17 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each miscellaneous addition.

## SUBTRACTIONS

### LINE 20 INTEREST FROM IDAHO MUNICIPAL SECURITIES

Enter interest received from securities issued by the state of Idaho and its political subdivisions, if included on line 16.

### LINE 21 INTEREST ON U.S. GOVERNMENT OBLIGATIONS

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in portfolio income, line 12. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

### LINE 22 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

### LINE 23 ALLOCATED INCOME

Enter the amount of nonbusiness income. A schedule detailing the source of income and explaining why the income was classified as nonbusiness must be attached.

### LINE 24 OTHER DEDUCTIONS

Enter any miscellaneous Idaho deductions. Attach a schedule identifying each miscellaneous deduction.

### LINE 28 APPORTIONMENT FACTOR

If all the activity is in Idaho, enter 100%. If the partnership has multistate/multinational operations, enter the apportionment factor from Form 42, Part I, line 21. Attach Form 42.

### LINE 30 INCOME ALLOCATED TO IDAHO

Enter the amount of nonbusiness income allocated to Idaho. A

schedule detailing the source of income allocated to Idaho must be attached.

### LINE 31 COMPENSATION OF PARTNERS

Add the guaranteed payments and other compensation reportable to Idaho of individual partners who elect to have the partnership pay the tax on this income. The election cannot be made if the partner has other Idaho income to report. Do not include the amounts paid to a partner who does not meet the Idaho individual income tax filing requirements.

### LINE 32 INCOME REPORTED ON PARTNERS' RETURNS

Determine the amounts from lines 29 and 30 that are reported by the partners on their Idaho income tax returns. Do not enter amounts attributable to individual partners who have no other income reportable to Idaho and elect to report partnership income on the partnership return. Include amounts attributable to individual partners who do not meet the Idaho individual income tax filing requirements.

## CREDITS

Credits earned by the partnership are passed through to each partner based on that partner's distributive share of partnership profits. When a partnership has a fiscal year end other than that of the partner, the credit passes through in the same period that the partnership income or loss is required to be reported by the partner for federal tax purposes.

The partnership must prepare and distribute to each partner a schedule that shows all Idaho income and deductions that must be reported on the partner's Idaho income tax return. The schedule must also include the partner's distributive share of amounts that are eligible for tax credits. Each partner uses this credit information to determine the amount of Idaho credit, credit recapture and credit carryover to be reported on the Idaho income tax return. Credits reported by each partner are subject to the limitations applicable to that partner. Copies of these schedules must be attached to the Idaho Partnership Return of Income for the year in which the credit is earned. Credit information reported on the schedule should include the following:

- Donations to a qualified educational entity
- Qualified investment eligible for the investment tax credit
- Donations to a qualified center for independent living, substance abuse center, or to a youth or rehabilitation facility or their foundations
- Costs of qualifying equipment eligible for the credit for production equipment using post-consumer waste
- Amount approved for the natural resources conservation credit
- Amount of promoter-sponsored event credit
- Amount of credit for qualifying new employees
- Amount of credit for Idaho research activities
- Amount of broadband equipment investment credit
- Amount of incentive investment tax credit
- Amount of recapture for any of the credits

If an individual partner elects to have his share of the income taxed on the partnership's return, the tax may be offset by the credit allowed to that partner. Credits applied to this tax are computed based on the credit limitations applicable to partnerships. For example, if a partnership pays the tax for three individual partners, the amount of credit for contributions to educational institutions is the lesser of the following amounts:

- 50% of the three partners' share of the amount donated,
- 20% of the tax computed for the three partners, or
- \$50

The following credits are available to be transferred to another taxpayer rather than used by the taxpayer who earns the credit:

# FORM 65

- Broadband equipment investment credit
- Incentive investment tax credit

To claim a credit you acquired through a transfer, you must attach a copy of the Idaho Statement of Credit Transfer, Form 70, to each return on which you are claiming transferred credit.

## LINE 35 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If the partnership donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 34, or
- \$50

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, research park, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum
- the Idaho State Library

## LINE 36 IDAHO INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

Report the allowed credit computed on line 9b or line 10, Part II, Form 49. Attach Form 49.

## LINE 37 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If the partnership donated cash or goods to a qualified center for independent living, to a youth or rehabilitation facility or their foundations, or to a nonprofit substance abuse center licensed by the Idaho Department of Health and Welfare, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 34, or
- \$100

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Gem Youth Services, Emmett
- High Reach, Inc., Mountain Home
- Hope House, Inc., Nampa
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Blackfoot, Idaho Falls, and Pocatello

## LINE 38 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

## LINE 39 NATURAL RESOURCES CONSERVATION CREDIT

If you filed an Application for Natural Resources Conservation Income Tax Credit for Tax Year 2001, enter the amount approved on that application by the Natural Resources Conservation Income Tax Credit Committee. The maximum tax credit allowed cannot exceed \$2,000. You may not claim a credit if you did not file an application or if the credit you requested was not approved.

## LINE 40 PROMOTER-SPONSORED EVENT CREDIT

If you issued temporary sales tax permits to participants of a promoter-sponsored event on behalf of the Tax Commission, you may claim a \$1 credit for each temporary permit issued during the tax year. Promoter-sponsored events include swap meets, flea markets, gun shows, and fairs. You must have filed Form ST-124 with the Tax Commission to qualify for the credit.

## LINE 41 CREDIT FOR QUALIFYING NEW EMPLOYEES

Idaho allows a credit for qualifying new employees of a partnership.

Report the credit computed on line 29, Part II, Form 55. Attach Form 55.

## LINE 42 CREDIT FOR IDAHO RESEARCH ACTIVITIES

If you incurred expenses for research conducted in Idaho, you may have earned the credit for Idaho research activities.

Report the allowed credit computed on line 29 or line 33, Form 67. Attach Form 67.

## LINE 43 BROADBAND EQUIPMENT INVESTMENT CREDIT

If the partnership acquired qualified broadband equipment to use in its business in Idaho, it may qualify for the broadband equipment investment credit. You may also claim this credit if you acquired the credit through a transfer.

# FORM 65

Report the allowed credit computed on line 17 or line 21, Form 68. Attach Form 68.

## LINE 44 INCENTIVE INVESTMENT TAX CREDIT

If you acquired assets that qualify for the investment tax credit, you may also have earned the incentive investment tax credit. The credit rate varies depending on the county in which the asset is primarily based. You may also claim this credit if you acquired the credit through a transfer.

Report the allowed credit computed on line 37 or line 41, Form 69. Attach Form 69.

## OTHER TAXES

### LINE 47 PERMANENT BUILDING FUND TAX

Partnerships that report taxable income on line 33 are required to pay the \$10 permanent building fund tax for each individual partner who is required to file, but does not file, an Idaho individual income tax return. A nonresident individual partner is required to file if his share of the partnership's Idaho gross income is more than \$2,500.

### LINE 48 FUELS TAX DUE

If you buy gasoline, aircraft fuel, or special fuels (diesel, propane, natural gas) without paying the fuels tax and later use this fuel in licensed vehicles or aircraft, fuels tax is due. Add the amounts on lines 3 and 4, Section IV, Form 75 and enter the total. Attach Form 75.

### LINE 49 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Attach Form 49R.

## PAYMENTS AND OTHER CREDITS

### LINE 51 ESTIMATED TAX PAYMENTS

Enter the total amount of payments made and the amount applied from your 2000 return.

### LINE 52 SPECIAL FUELS AND GASOLINE TAX REFUND

The special fuels (diesel, propane, natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from line 2, Section IV, Form 75. Attach Form 75.

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from line 1, Section IV, Form 75. Attach Form 75.

## AMENDED RETURN ONLY

Complete lines 54 through 56 only if you are filing this return as an amended return for 2001.

### LINE 54 TAX PAID WITH OR AFTER FILING ORIGINAL RETURN

If this is an amended return, enter the amount paid with or after filing your original return for 2001.

### LINE 55 OVERPAYMENT SHOWN ON ORIGINAL RETURN OR LATER ADJUSTED

If this is an amended return, enter the amount of refund shown or adjusted on your original return for 2001.

## REFUND OR PAYMENT DUE

### LINE 58 PENALTY AND INTEREST

**Penalty:** If the partnership files a return after the due date or fails

to pay the required amount by the due date, a penalty may be due. To avoid paying any late filing or late payment penalty, the partnership must:

- pay by the original due date at least 80% of the tax due on the return or 100% of the total tax reported last year, and
- file the return and pay the tax due by the extended due date.

If the partnership pays at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, but fails to file the return or pay the remaining tax by the extended due date, the following penalties will apply:

- If the return is filed on or before the extended due date, a 0.5% per month late payment penalty will be computed on tax due from the extended due date to date of payment, or
- If the return is filed after the extended due date, a 5% per month late filing penalty will be computed on tax due from the extended due date to the date the return is filed.

If the partnership does not pay at least 80% of the tax due on the return or 100% of the total tax reported last year by the extended due date, the following penalties will apply:

- If the return is filed by the original due date, a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date of payment.
- If the return is filed on or before the extended due date and the tax is paid on or before the extended due date, a 2% per month extension penalty will be computed on tax due from the original due date to the earlier of the date the tax is paid, or the date the return is filed, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid, if paid after the return is filed.
- If the return is filed on or before the extended due date but the tax is paid after the extended due date, a 2% per month late filing penalty will be computed on tax due from the original due date of the return to the date the return is filed, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid.
- If both the return is filed and the tax is paid after the extended due date, a 5% per month late filing penalty will be computed on tax due from the original due date of the return to the earlier of the date the return is filed or the date the tax is paid.

The minimum penalty is \$10. The maximum penalty is 25% of tax due.

**Interest:** Interest is charged on the tax due, line 57, from the original due date until paid. The rate for 2002 is 7%.

### LINE 61 REFUND

If you are filing an original return, you have the option of receiving all or a portion of the overpayment listed on line 60 as a refund, or applying all or a portion of the overpayment to your 2002 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 60, you must enter zero on line 62.

If you are filing an amended return, you must enter the total overpayment listed on line 60 on this line and zero on line 62.

### LINE 62 ESTIMATED TAX

If you are filing an original return, you have the option of applying all or a portion of the overpayment listed on line 60 as a credit against your 2002 estimated tax. The amount you list on this line plus the amount on line 61 must equal the overpayment listed on line 60. If you listed the total overpayment as the amount you want refunded to you on line 61, you must enter zero on this line.

If you are filing an amended return, you must enter the same amount as reported on the original return.

# INSTRUCTIONS FOR FORM 42

## SUPPLEMENTAL SCHEDULE FOR MULTISTATE/MULTINATIONAL BUSINESS

Part I of this form provides the computation of the Idaho apportionment factor and is to be used by taxpayers who have income from business activity which is taxable in Idaho and another state or country.

Partnerships do not use Part II.

### PART I APPORTIONMENT FORMULA

#### GENERAL INFORMATION

##### Property Factor

The property factor is a fraction. The numerator is the average value of real and tangible personal property owned or rented and used in Idaho during the tax year to produce business income. The denominator is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax year to produce business income. Property used in the production of nonbusiness income is excluded from the factor.

Property is included in the factor if it is actually used or capable of being used during the tax year in the regular course of the trade or business of the taxpayer. Property under construction is excluded.

Property owned by the taxpayer is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustments) when it was acquired by the taxpayer and adjusted for subsequent capital additions or improvements, special deductions or partial disposition because of sale, exchange, abandonment, etc. Depreciation does not reduce original cost.

The average value of property owned by the taxpayer is computed by averaging the values at the beginning and ending of the tax year. The Idaho State Tax Commission may require or allow the averaging of monthly values to properly reflect the average values.

Property rented is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rents paid for the property, less the aggregate annual subrental rates paid by subtenants. Subrents are not deducted when the subrents are business income.

##### Sales Factor

The sales factor is double weighted for all taxpayers except electrical and telephone utilities. Electrical and telephone utilities use a single-weighted sales factor.

The sales factor is a fraction. The numerator is the gross receipts derived during the year from transactions and activities attributable to Idaho in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities everywhere in the regular course of the taxpayer's trade or business. Receipts derived from the production of nonbusiness income are excluded from the sales factor.

Sales means all gross receipts derived from transactions and activity in the regular course of trade or business. Gross receipts means gross sales, less returns and allowances. Gross receipts from sales of tangible personal property are assigned to Idaho if:

- property is delivered or shipped to a purchaser in Idaho regardless of F.O.B. point or other conditions of sales; or
- property is shipped from an office, store, warehouse, factory, or other place of storage in Idaho and the taxpayer is not taxable in the state of the purchaser (throwback sales) or the purchaser is the United States Government.

Sales also include gross receipts from services and all other gross

receipts such as interest, dividends, rents, royalties, gross receipts from the sale of property, and other income derived by the taxpayer in the regular course of business. If gross receipts do not fairly represent the extent of your business activity in Idaho, you may petition, or may be required, to use another method to obtain an equitable result. Income from services is attributable to this state to the extent that the services are performed in Idaho.

##### Payroll Factor

The payroll factor is a fraction. The numerator is the compensation paid in Idaho during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income. Compensation connected with the production of nonbusiness income is excluded from the payroll factor.

The total amount paid to employees is determined on the basis of the taxpayer's accounting method. Under the accrual method, all compensation properly accrued is deemed to have been paid.

If the taxpayer is required to report the compensation under the cash method for unemployment compensation purposes, compensation paid to employees may be included in the payroll factor using the cash method.

Compensation means wages, salaries, commissions and any other form of payment to employees for personal services. Payments made to an independent contractor, or any other person not properly classifiable as an employee, are excluded.

Compensation is paid in Idaho if any one of the following tests are met:

- the individual's service is performed entirely within Idaho; or
- the individual's service is performed both in and outside Idaho, but the service performed outside Idaho is incidental to the individual's service in Idaho; or
- some of the service is performed in Idaho and the base of operations, or, if there is no base of operations, the place from which the service is directed or controlled is in Idaho; or
- some of the service is performed in Idaho and the base of operations, or the place from which the service is directed or controlled, is not in any state in which some part of the service is performed, but the individual's residence is in Idaho.

##### MODIFIED FACTORS FOR CERTAIN INDUSTRIES

Idaho has adopted the Multistate Tax Commission (MTC) regulations for the following special industries. Examples of the computations of these factors are found in the applicable MTC regulations on the Internet at <http://www.mtc.gov>.

##### Airlines

If you are in the business of transporting passengers, freight or mail by air, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including transportation revenue, property ready for flight, and transportation payroll in the Idaho numerators based on the percentage of Idaho departures of aircraft weighted as to the value of aircraft by type to the total departures similarly weighted.

The value of nonflight property and nonflight payroll will be allocated to the state based on the general apportionment rules.

##### Carriers of Freight and Passengers

If you are in the business of transporting passengers, freight, or mail by motor carrier or rail, your apportionment factor should reflect the movement of your transportation equipment and personnel. This is done by including the transportation revenue, property and payroll in the Idaho numerators based on the percentage of miles traveled in Idaho to miles traveled everywhere.

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Other revenue, fixed property, and compensation of employees assigned to fixed locations are included in the factors based on the general apportionment rules. Per diem and mileage charges paid or received for the temporary use of railroad cars should not be included in the sales or property factors.

## Contractors

You must use the same long-term contract accounting method for Idaho reporting purposes that you used for federal reporting purposes.

If the percentage of completion method is used, the following special rules apply in addition to the general property, payroll, and sales factor rules.

The property factor denominator includes the average value of the taxpayer's cost of construction in progress (including materials and labor) to the extent the costs exceed progress billings. The portion of this amount attributable to construction projects in Idaho is included in the Idaho numerator. If progress billings exceed construction costs, do not include any value in the property factors for the taxpayer's equity in the project.

The sales factor includes only the portion of the gross contract price which corresponds to the percentage of the entire contract which was completed at the end of the tax year. For example, if the project was 30% complete at the end of the tax year, 30% of the bid price should be included in the gross receipts. Gross receipts from a construction project are attributable to Idaho if the construction is located in Idaho. Gross receipts from a construction project located partially in Idaho are included in the numerator based on the ratio of construction costs for the project in Idaho for the tax year to the total of construction costs for that project for the tax year.

Compensation paid for work on a particular construction project is included in the payroll factor even though capitalized into the cost of construction. Compensation is attributable to the state where most of the employee's service is performed, regardless of where reported for unemployment tax purposes.

## Publishers

If you are in the business of publishing, selling, licensing or distributing books, newspapers, magazines, periodicals, trade journals or other printed material, include outer-jurisdictional property in the property factor whether owned or rented if used in your business. Outer-jurisdictional property includes such items as orbiting satellites and undersea transmission cables which are not physically located in any particular state. The portion of outer-jurisdictional property attributable to Idaho is computed based on the ratio of Idaho usage to usage everywhere.

The sales numerator includes gross receipts from the sale of printed materials delivered or shipped to a purchaser or subscriber in Idaho. Gross receipts from the advertising and the sale, rental or other use of customer lists are included as Idaho sales as determined by a circulation factor.

If the purchaser or subscriber is the U.S. Government or you are not taxable in the state, the gross receipts are attributable to Idaho if the printed material or other property is shipped from a business location in Idaho.

## Broadcasters

If you are in the business of conducting television or radio broadcasts, either through a network or through an affiliated, unaffiliated or independent television or radio broadcasting station, your apportionment factor should exclude outer-jurisdictional, film and radio programming property. Outer-jurisdictional property includes orbiting satellites and undersea transmission cables which are not physically located in any particular state. Film programming means performances, events, or productions telecast, live or

otherwise, on television. It includes news and sporting events in the format of a motion picture, a video tape, or other medium. Radio programming means all performances, events or productions broadcast live or otherwise on radio. It includes commercial, educational or artistic works, in the format of an audio tape, disc or other medium.

Audio or video cassettes, discs or similar medium containing film or radio programming which is intended for sale or rental for home viewing or listening is included in the property factor at original cost.

The value of property located or used in Idaho for part of the taxable year is included in the Idaho property numerator based on the ratio that the number of days the property is located or used in Idaho bears to the total number of days you owned or rented the property during the tax year.

Idaho sales include advertising revenue from live television, film or radio programming in release to or by television and radio stations located in Idaho and receipts from live telecasts, films and radio programs based on the audience factor.

The payroll factor includes residual and profit participation payments paid to employees, directors, actors, newscasters and other individuals in a role of employee. Amounts paid to an individual, corporation or other business entity for providing the services of directors, actors, newscasters and other talent for a live television broadcast, film or radio program are included if such payments were at least 25% of total compensation paid to employees, and that failure to include the amounts would not fairly represent the extent of your business activity in Idaho. The portion of these amounts attributable to Idaho is determined according to the general apportionment rules.

## Financial Institutions

If you are a financial institution, your apportionment factor should reflect your business of extending credit through loans and credit cards by including the value of these intangibles in your property factor.

You are a financial institution if you predominantly deal in money or moneyed capital in substantial competition with the business of national banks. Predominantly means more than 50% of your gross income is attributable to dealings in money or moneyed capital. Money or moneyed capital includes coin, cash, currency, mortgages, deeds of trust, conditional sales contracts, loans, commercial paper, installment notes, credit cards, and accounts receivable.

You are presumed to be a financial institution if you are one of the following:

- a corporation registered under state law as a bank holding company or registered under the Federal Bank Holding Company Act, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended;
- a national bank organized under the National Bank Act;
- a savings association or federal savings bank as defined in the Federal Deposit Insurance Act;
- a bank or thrift institution incorporated or organized under the laws of any state;
- a corporation organized under the provisions of Title 12 U.S.C. §§611 to 631;
- an agency or branch of a foreign depository as defined in Title 12 U.S.C. §3101;
- a corporation whose voting stock is more than 50% owned by an entity presumed to be a financial institution (insurance companies excluded); or
- a corporation that in the current year and immediately preceding two years, derived more than 50% of its total gross income for



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financial accounting purposes from finance leases.

In addition to the property included under the standard property factor as discussed on page 7, the property factor must also include the average value of your loans and credit card receivables. Loans and credit card receivables are valued at their average outstanding principal balance, without regard to any reserve for bad debts.

Loans and credit card receivables are considered located in Idaho if they are properly assigned to a regular place of your business in this state; that is, if the loan has a preponderance of substantive contacts with that place of business. Substantive contacts include solicitation, investigation, negotiation, approval, and administration. There are also special rules for attributing receipts to a state for purposes of the sales factor. The payroll factor is computed the same as under the standard apportionment rules as discussed on page 7.

### SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form. Compute all percentages to four decimal places (00.0000%).

#### PROPERTY

**LINES 1 through 4.** Enter the beginning and end of the year total property and Idaho property amounts.

**LINE 9.** Divide Idaho property by total property (amounts on line 8).

#### SALES

**LINES 11 and 12.** Enter the amounts from line 10 that were delivered or shipped to Idaho purchasers (line 11) or that were throwback sales to Idaho (line 12).

**LINE 14.** Attach a detailed schedule.

**LINE 16.** Divide Idaho gross receipts by total gross receipts (amounts on line 15).

Electrical and telephone utilities. This is your single-weighted sales factor. Go to line 18.

**LINE 17.** For all taxpayers other than electrical and telephone utilities, multiply the amount on line 16 by 2. This is your double-weighted sales factor.

#### PAYROLL

**LINE 19.** Divide Idaho wages and salaries by total wages and salaries (amounts on line 18).

#### TOTAL PERCENTAGE

**LINE 20.** For all taxpayers other than electrical and telephone utilities, add the percentages on lines 9, 17, and 19. For electrical and telephone utilities, add the percentages on lines 9, 16, and 19.

#### IDAHO APPORTIONMENT FACTOR

**LINE 21.** For all taxpayers other than electrical and telephone utilities, divide the total on line 20 by 4. For electrical and telephone utilities, divide the total on line 20 by 3.

If any of the factors do not apply to your business, divide the total on line 20 by the number of factors used. For example, if your partnership has no employees anywhere, your factor is reduced by one.